

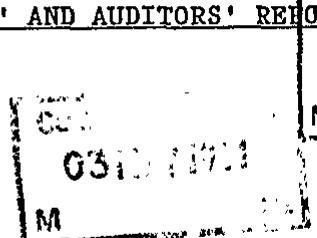
NITTO WORLD CO., LIMITED

ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1989

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORT

COMPANIES HOUSE

30 AUG 1991



NITTO WORLD CO., LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1989

The directors present their annual report on the affairs of the company together with the accounts and auditors' report for the year ended 31 December 1989.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company continues to be the ownership of the Turnberry Hotel and Golf Courses.

The company purchased the trade and assets of Turnberry Hotel and Golf Courses during 1987 under an agreement where the vendors are retained as operators primarily to market the hotel and golf courses in return for an operators fee.

In November 1988 the company began a £4 million refurbishment programme at Turnberry Hotel. This was largely completed in 1989 and is expected to increase the profitability of the Hotel in future years. In addition, the company has commenced construction of a health and leisure centre which will enhance the hotel's marketability.

RESULTS AND DIVIDENDS:

The turnover for the year was £4,255,857 (1988 - £3,878,305) and the loss on ordinary activities before taxation was £81,094 (1988 - £401,314). A tax credit of £NIL (1988 - £20,000) has been recognised, resulting in an accumulated deficit for the year of £295,852 (1988 - £214,758).

No dividend is proposed.

DIRECTORS AND THEIR INTERESTS:

The directors of the company during the year were:

K. Mizuno
T. Niino
A. McMillan
H. Matsuura
K. Nakamura
Y. Matsuura

No director had a beneficial interest in the shares of the company at any time during the year.

FIXED ASSETS:

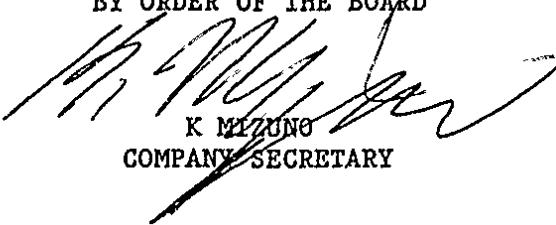
Information relating to changes in tangible fixed assets is given in Note 10 to the accounts.

DIRECTORS' REPORT (CONTINUED)

AUDITORS:

A resolution will be submitted at the Annual General Meeting proposing the re-appointment of Arthur Andersen & Co., Chartered Accountants, as auditors and authorising the Directors to fix their remuneration.

BY ORDER OF THE BOARD


K MIZUNO
COMPANY SECRETARY

14 June 1990

ARTHUR ANDERSEN & CO
199 ST VINCENT STREET
GLASGOW G2 5QD

Auditors' Report to the Members of NITTO WORLD CO., LIMITED:

We have audited the financial statements on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1989 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co

14 June 1990

NITTO WORLD CO., LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

| | <u>Notes</u> | <u>1989</u> | <u>1988</u> |
|--|--------------|-------------|-------------|
| TURNOVER | 1e)&2 | £4,255,857 | £3,878,305 |
| Cost of sales | | (2,407,631) | (2,194,846) |
| GROSS PROFIT | | 1,848,226 | 1,683,459 |
| Other operating expenses | 3 | (1,507,600) | (1,725,052) |
| OPERATING PROFIT/(LOSS) | | 340,626 | (41,593) |
| Investment income | 4 | 266,805 | 90,788 |
| Interest payable and similar charges | 5 | (688,525) | (450,509) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | (81,094) | (401,314) |
| Taxation | 1g)&7 | - | 20,000 |
| LOSS FOR THE FINANCIAL YEAR | | (81,094) | (381,314) |
| RETAINED (LOSS)/PROFIT BROUGHT FORWARD | 9 | (214,758) | 166,556 |
| ACCUMULATED DEFICIT CARRIED FORWARD | | £ (295,852) | £ (214,758) |

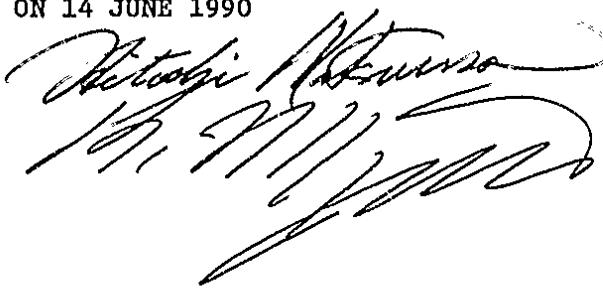
The accompanying notes are an integral part of this profit and loss account.

MITTO WORLD CO., LIMITED

BALANCE SHEET -- 31 DECEMBER 1989

| | <u>Notes</u> | <u>1989</u> | <u>1988</u> |
|--|--------------|--------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 1b)&10 | £18,999,701 | £16,011,257 |
| CURRENT ASSETS | | | |
| Stocks | 1c)&11 | 161,603 | 143,682 |
| Debtors | 12 | 1,578,537 | 309,906 |
| Cash at bank and in hand | | 1,880,957 | 972,258 |
| | | 3,621,097 | 1,425,846 |
| CREDITORS: Amounts falling due within one year | 13 | (3,771,822) | (2,040,646) |
| NET CURRENT LIABILITIES | | (150,725) | (614,800) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 18,848,976 | 15,396,457 |
| CREDITORS: Amounts falling due after more than one year | 14 | (10,344,828) | (6,811,215) |
| NET ASSETS | | £ 8,504,148 | £ 8,585,242 |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 16 | £ 8,800,000 | £ 8,800,000 |
| Profit and loss account | | (295,852) | (214,758) |
| TOTAL CAPITAL EMPLOYED | | £ 8,504,148 | £ 8,585,242 |

SIGNED ON BEHALF OF THE BOARD ON 14 JUNE 1990

H. MATSUURA Director 
 K. MIZUNO Director

The accompanying notes are an integral part of this balance sheet.

NITTO WORLD CO., LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

| | 1989 | 1988 |
|---|-------------|-------------|
| SOURCE OF FUNDS | | |
| Increase in creditors due after more than one year | £ 3,533,613 | £ - |
| Proceeds from issue of ordinary shares | - 800,000 | |
| Proceeds from disposal of tangible fixed assets | 1,181 5,314 | |
| Increase in net current liabilities, as shown below | - 1,616,033 | |
| | £ 3,534,794 | £ 2,421,347 |
| | ===== | ===== |

| | 1989 | 1988 |
|---|-------------|-------------|
| APPLICATION OF FUNDS | | |
| Loss on ordinary activities after taxation | £ 81,094 | £ 381,314 |
| Deduct items not involving the movement of funds: | | |
| - depreciation | (242,928) | (221,541) |
| Total funds absorbed by operations | (161,834) | 159,773 |
| Purchase of tangible fixed assets | 3,232,553 | 2,047,963 |
| Decrease in creditors due after more than one year | - 213,611 | |
| Decrease in net current liabilities, as shown below | 464,075 - | |
| | £ 3,534,794 | £ 2,421,347 |
| | ===== | ===== |

DECREASE/(INCREASE) IN NET CURRENT LIABILITIES

| | | |
|---------------------------------------|-------------|--------------|
| Stocks | £ 17,921 | £ (16,468) |
| Debtors | 1,268,631 | 45,659 |
| Creditors falling due within one year | (1,731,176) | (1,204,988) |
| | (444,624) | (1,175,797) |
| Movement in net liquid funds: | | |
| - cash at bank and in hand | 908,699 | (440,236) |
| | £ 464,075 | £(1,616,033) |
| | ===== | ===== |

The accompanying notes are an integral part of this statement of source and application of funds.

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS - 31 DECEMBER 1989

1. STATEMENT OF ACCOUNTING POLICIES:

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention.

b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes incidental acquisition expenses. No depreciation is provided on freehold buildings as the directors are of the opinion that the length of lives and residual values of these buildings are such that no provision for depreciation is required. Depreciation on other tangible fixed assets is provided on the straight-line basis using the following annual rates which are based on the expected economic lives of the assets:

Plant and equipment 10% to 20%

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

d) Foreign Currency

Normal trading activities denominated in foreign currencies are recorded in sterling at exchange rates as of the date of the transaction or the average exchange rate for the year. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

e) Turnover

Turnover is stated at the invoiced value of goods and services provided, exclusive of VAT and net of discounts granted.

f) Leases

Assets acquired under finance leases are recorded in the balance sheet as an asset with an equivalent obligation categorised as appropriate under creditors due within or after one year. The amount recorded as an asset at the start of the lease is the purchase price equivalent. The asset is depreciated over the shorter of the lease term and its useful economic life. Obligations related to finance leases represent the total of the minimum lease payments outstanding at the date of the balance sheet. Future finance charges are not included. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED):

f) Leases (continued)

Rentals under operating leases are charged on a straight-line basis over the lease term.

g) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method.

Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

h) Pension Contributions

The company operates a defined benefits pension scheme. Pension contributions are charged to the profit and loss account on the basis of spreading the cost of providing pensions over the period of employees' services to the company. For details of fund see Note 17.

2. SEGMENT INFORMATION:

The company's turnover and profit on ordinary activities before taxation were derived entirely from the Turnberry Hotel and Golf Courses in Scotland.

3. OTHER OPERATING EXPENSES:

| | <u>1989</u> | <u>1988</u> |
|-----------------------------|-------------|-------------|
| Selling and marketing costs | £ 357,192 | 329,707 |
| Administrative expenses | 1,150,408 | 1,395,345 |
| | £1,507,600 | £1,725,052 |
| | ===== | ===== |

4. INVESTMENT INCOME:

| | <u>1989</u> | <u>1988</u> |
|------------------------------|-------------|-------------|
| Investment income comprises: | | |
| Interest receivable | £ 266,805 | £ 90,788 |
| | ===== | ===== |

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

5. INTEREST PAYABLE AND SIMILAR CHARGES:

| | <u>1989</u> | <u>1988</u> |
|---|-------------|-------------|
| On loan from parent company: | | |
| - repayable within five years, not by instalment | £ 205,718 | £ 450,509 |
| On bank loans: | | |
| - repayable within 5 years, not by instalment | 482,807 | - |
| | <hr/> | <hr/> |
| | £ 688,525 | £ 450,509 |
| | <hr/> | <hr/> |

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

| | <u>1989</u> | <u>1988</u> |
|---|-------------|-------------|
| Loss on ordinary activities before taxation for the year is stated after charging/(crediting): | | |
| a) Depreciation | £ 242,928 | £ 221,541 |
| b) Auditors' remuneration | 16,500 | 15,000 |
| c) Staff costs (Note 8) | 1,571,520 | 1,357,176 |
| d) Foreign exchange gain | (240,456) | - |
| e) Operator's fee | 111,496 | 115,700 |
| f) Capital duty on raising share capital | - | 8,000 |
| g) Hire of plant and machinery - under operating leases | 68,240 | 59,377 |
| | <hr/> | <hr/> |

7. TAXATION:

The tax credit/(charge) comprises:

| | <u>1989</u> | <u>1988</u> |
|--------------------------------|-------------|-------------|
| Corporation tax at 35% | £ - | £ - |
| Over provision in prior period | - | 20,000 |
| | <hr/> | <hr/> |
| | £ - | £ 20,000 |
| | <hr/> | <hr/> |

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

8. STAFF COSTS:

Particulars of employees are as shown below.

| | <u>1989</u> | <u>1988</u> |
|---|-------------|-------------|
| Employee costs during the year amounted to: | | |
| Wages and salaries | £1,292,655 | £1,138,725 |
| Social security costs | 98,233 | 82,221 |
| Other pension costs | 55,912 | 48,867 |
| Other employee related costs | 124,720 | 87,363 |
| | £1,571,520 | £1,357,176 |
| | ===== | ===== |

The average weekly number of persons employed by the company during the year was as follows:

| | <u>1989</u> | <u>1988</u> |
|-----------------------|---------------|---------------|
| | <u>Number</u> | <u>Number</u> |
| Office and Management | 166 | 165 |
| Casual | 42 | 46 |
| | ----- | ----- |
| | 208 | 211 |
| | ===== | ===== |

No employees received over £30,000 per annum in remuneration during the year (1988 - Nil).

Directors' remuneration:

No directors received any remuneration for the year.

9. PRIOR PERIOD ADJUSTMENT:

Retained profits brought forward at 31 December 1987 have been restated as follows:-

| | |
|------------------------|----------|
| As previously reported | £ 39,480 |
| Adjustment | 127,076 |
| | ----- |
| As restated | £166,556 |
| | ===== |

The restatement was made because the company's depreciation policy was changed during 1988. In the previous period depreciation was provided on freehold buildings, but the directors are of the opinion that the length of lives and residual values of these buildings are such that no provision for depreciation is now required.

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

In order to restate the results for the period ended 31 December 1987 a prior period adjustment was made as follows:

Profit and loss account

| | |
|--------------------------------------|----------|
| Reduction in administrative expenses | £127,076 |
| | ===== |

Balance Sheet

| | |
|-----------------------------------|----------|
| Increase in tangible fixed assets | £127,076 |
| | ===== |

10. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets:

| | <u>1989</u> | <u>1988</u> |
|----------------------------------|--------------------|--------------------|
| Freehold land and buildings | £17,455,157 | £14,306,752 |
| Plant and equipment | 1,544,544 | 1,704,505 |
| Net tangible fixed assets | £18,999,701 | £16,011,257 |
| | ===== | ===== |

The movement in the year was as follows:

| | <u>Freehold Land and Buildings</u> | <u>Plant & Equipment</u> | <u>Total</u> |
|--|--|----------------------------------|--------------------|
| Cost: | | | |
| Beginning of year | £14,306,752 | £ 2,099,790 | £16,406,542 |
| Additions | 3,148,405 | 84,148 | 3,232,553 |
| Disposals | - | (1,188) | (1,188) |
| End of year | 17,455,157 | 2,182,750 | 19,637,907 |
| Depreciation: | | | |
| Beginning of year | - | 395,285 | 395,285 |
| Charge | - | 242,928 | 242,928 |
| Disposals | - | (7) | (7) |
| End of year | - | 638,206 | 638,206 |
| Net book value, beginning of year | £14,306,752 | £ 1,704,505 | £16,011,257 |
| Net book value, end of year | £17,455,157 | £ 1,544,544 | £18,999,701 |
| | ===== | ===== | ===== |

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

11. STOCKS:

The following are included in stocks:

| | <u>1989</u> | <u>1988</u> |
|--------------------------------|-------------|-------------|
| Glass, crockery and silverware | £ 72,428 | £ 84,182 |
| Food and beverage | 75,621 | 49,238 |
| Other | 13,554 | 10,262 |
| | £ 161,603 | £ 143,682 |
| | ===== | ===== |

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

12. DEBTORS:

The following are included in debtors:

| | <u>1989</u> | <u>1988</u> |
|--|-------------|-------------|
| Amounts falling due within one year: | | |
| Trade debtors | £ 247,212 | £ 202,304 |
| Prepayments and accrued income | 110,134 | 80,829 |
| VAT | - | 26,773 |
| Amounts due from other group companies | 1,221,191 | - |
| | £1,578,537 | £ 309,906 |
| | ===== | ===== |

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year:

| | <u>1989</u> | <u>1988</u> |
|--|-------------|-------------|
| Trade creditors | £ 71,768 | £ 14,643 |
| Amounts due to parent company | 3,150,470 | 1,297,697 |
| Current portion of finance lease obligations | 11,661 | 11,214 |
| Accruals and deferred income | 415,123 | 671,351 |
| UK Corporation tax payable | - | - |
| Payments on account | 35,679 | 20,777 |
| Other creditors: | | |
| - social security and PAYE | 34,740 | 24,964 |
| VAT | 52,381 | - |
| | £3,771,822 | £2,040,646 |
| | ===== | ===== |

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED).

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than one year:

| | <u>1989</u> | <u>1988</u> |
|--|--------------|-------------|
| Loan due to parent company | £ - | £ 6,800,000 |
| Long term portion of finance lease obligations | - - | 11,215 |
| Bank loan | 10,344,828 | - |
| | ===== | ===== |
| | £ 10,344,828 | £ 6,811,215 |
| | ===== | ===== |

The loan from the parent company is a 4.5% unsecured loan. £4,412,112 was repaid during 1989 and the remaining balance of £2,387,888 is now repayable within one year (previously repayable in seven annual instalments over 1991 to 1997) and is included within amounts due to parent company within one year at Note 13 above.

Bank Loans:

| | |
|---|--------------|
| 6% secured loan repayable in July 1994 | £ 5,172,414 |
| 5.7% secured loan repayable in May 1994 | 2,586,207 |
| 5.625%-7.0625% secured loan repayable in May 1994 | 2,586,207 |
| | ===== |
| | £ 10,344,828 |
| | ===== |

Obligations under finance leases are repayable as follows:

| | <u>1989</u> | <u>1988</u> |
|------------------|-------------|-------------|
| Within 1 year | £ 11,661 | £ 11,214 |
| Within 2-5 years | - - | 11,215 |
| | ===== | ===== |
| | £ 11,661 | £ 22,429 |
| | ===== | ===== |

15. DEFERRED TAXATION:

No deferred taxation has been provided at 31 December 1989.

The amounts of unprovided deferred taxation are as follows:

| | <u>1989</u> | <u>1988</u> |
|--|-------------|-------------|
| Excess of tax allowances over book depreciation of fixed assets | £ 158,927 | £ 126,095 |
| Other timing differences related to: - current assets and liabilities | (158,927) | (126,095) |
| | ===== | ===== |
| | £ - | £ - |
| | ===== | ===== |

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

16. CALLED-UP SHARE CAPITAL:

| | 1989 | 1988 |
|--|------------|------------|
| Authorised: | | |
| 88,000 ordinary shares of £100 each | £8,800,000 | £8,800,000 |
| | ===== | ===== |
| Allotted, called-up and fully-paid: | | |
| 88,000 ordinary shares of £100 each | £8,800,000 | £8,800,000 |
| | ===== | ===== |

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments:

At the end of the year, capital commitments were:

| | 1989 | 1988 |
|-------------------------------------|------------|------------|
| Contracted for but not provided for | £6,946,110 | £3,018,355 |
| Authorised but not contracted for | - | - |
| | ===== | ===== |
| | £6,946,110 | £3,018,355 |
| | ===== | ===== |

b) Lease commitments:

The company has entered into non-cancellable leases in respect of plant and equipment, the payments for which extend over a period of up to 9 years. The total rental for 1989 was £68,240 (1988 - £59,377).

The minimum annual rentals under the foregoing leases are as follows:

| | <u>Plant and Equipment</u> | |
|-------------------------------|----------------------------|-------------|
| | <u>1989</u> | <u>1988</u> |
| Operating leases which expire | | |
| - within 1 year | £ 14,511 | £ 11,388 |
| - within 2-5 years | 58,485 | 47,208 |
| - after 5 years | 7,088 | 7,105 |
| | ===== | ===== |
| | £ 80,084 | £ 65,701 |
| | ===== | ===== |

c) Pension arrangements:

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested on the company's behalf by Sedgwick Financial Services Limited.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of valuations using the attained age method.

NITTO WORLD CO., LIMITED

NOTES TO ACCOUNTS (CONTINUED)

The most recent valuation was as at 1 October 1988 when the scheme was set up. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 6% per annum.

c) Pension arrangements (continued):

The pension charge for the year was £45,800. This included a credit of £10,062 in respect of the amortisation of experience surpluses that are being recognised over 10 years, the average remaining service lives of employees.

The most recent actuarial valuation showed that the market value of the scheme's assets was £384,982 and that the actuarial value of those assets represented 140% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will be 13% and 7.2% respectively from 1 January 1990. Until this date the contributions of the company and employees were 16.67% and 9.33% respectively.

18. ULTIMATE HOLDING COMPANY:

The ultimate holding company is Nitto Kogyo Co., Limited, a company incorporated in Japan.